

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 EB-07

FRB-01 INR-07 IO-10 NEA-10 NSAE-00 OPIC-06 SP-02

TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01

USIA-15 STR-04 ABF-01 FSE-00 /103 W

----- 039541

R 231720Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1409

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 07895

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING MAY 23

BEGIN SUMMARY: THE TRENDS CONTINUE. UNEMPLOYMENT IS UP

AS ARE WAGES AND EARNINGS WHICH LEAD PRICES. OUTPUT IS

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STAGNANT AND DEMAND WEAKENING, DESPITE THE BUYING SPLURGE

TO BEAT THE TAX INCREASES OF THE APRIL 15 BUDGET. MONE-  
TARY AGGREGATES SHOW A CONFUSING PATTERN, BUT THEY ARE  
GROWING SLOWLY. STERLING WAS MORE STABLE IN THE MARKETS  
BUT ITS SLIGHTLY STRONGER POSITION RESULTED MORE FROM THE  
WEAKNESS OF THE DOLLAR RATHER THAN FROM A MAJOR RENEWAL  
IN CONFIDENCE IN THE POUND. END SUMMARY

1. UNEMPLOYMENT. THE LEVEL OF UK UNEMPLOYMENT TOOK AN-  
OTHER JUMP IN MAY ACCORDING TO FIGURES RELEASED THIS WEEK.  
DURING THE PERIOD MID-APRIL TO MID-MAY, TOTAL UK UNEMPLOY-  
MENT, ON A SEASONALLY ADJUSTED BASIS, STOOD AT  
850,346 OR 3.7 PERCENT OF THE LABOR FORCE. IN THE SIX  
MONTHS SINCE NOVEMBER, THE NUMBER OF UNEMPLOYED HAS IN-  
CREASED BY NEARLY 204,000, THE LARGEST INCREASE IN ANY SIX  
MONTH PERIOD. IF THE UNDERLYING TREND CONTINUES, THE  
NUMBER WILL REACH 1 MILLION BY SEPTEMBER OR OCTOBER. IN  
ADDITION, THE NUMBER OF WORKERS ON "SHORT-TIME" IS ESTI-  
MATED TO HAVE RISEN TO 250,000, AN INCREASE OF 25,000 OVER  
THE APRIL LEVEL. THE APPARENT WEAKNESS OF THE LABOR MAR-  
KET IS ALSO REFLECTED IN THE NUMBER OF RECORDED UNFILLED  
VACANCIES WHICH FELL FROM 173,300 TO 155,000 (S.A.) MID-  
APRIL TO MID-MAY.

2. WAGES. THE INDEX OF BASIC HOURLY WAGE RATES CONTINUED  
TO RISE IN APRIL, BUT AT A REDUCED RATE. FOR THE MONTH,  
THIS INDEX NUMBER IS 168.6; IN MARCH IT WAS 168.3 (JULY  
31, 1972 EQUALS 100). THIS IS A RISE OF 0.17 PERCENT AS  
COMPARED WITH A RISE OF 4.1 PERCENT IN MARCH. THE RATE OF  
INCREASE OVER THE PAST 12 MONTHS REMAINS OVER 32 PERCENT,  
BUT WHETHER THE SMALL INCREASE FOR APRIL PORTENDS A LOWER  
TREND IS PROBLEMATICAL.

3. EARNINGS. PROVISIONAL FIGURES INDICATE EARNINGS ROSE  
BY 1.4 PERCENT IN MARCH OVER FEBRUARY. THE INDEX NUMBER  
IN MARCH IS 212.8; FOR FEBRUARY IT WAS 209.9 (JANUARY 1970  
EQUALS 100 -- SEASONALLY ADJUSTED).

4. GDP. OUTPUT BASED DATA INDICATE THAT GROSS DOMESTIC  
PRODUCT (GDP) INCREASED BY 0.2 PERCENT IN THE FIRST  
QUARTER OF 1975 OVER THE FOURTH QUARTER OF 1974. THE  
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NUMBERS ARE 109.0 IN 1975/I AND 108.8 IN 1974/IV. THE  
FIGURES ARE PROVISIONAL AND THE TRUER MEASURE OF GDP IS  
THE AVERAGE ESTIMATE FROM OUTPUT, INCOME AND EXPENDITURE  
DATA, STILL TO COME. ON THE OUTPUT BASIS 1974/I WAS  
106.7 BUT THIS WAS DISTORTED BY THE 3-DAY WEEK.

5. MONEY SUPPLY. M1 (THE NARROW DEFINITION) ROSE BY 2.3  
PERCENT WHILE M3 (BROAD DEFINITION) ROSE BY ONLY 0.2 PER-

CENT IN THE PERIOD MARCH 19 TO APRIL 16. FOR M1, THE RISE HAS BEEN 4 PERCENT IN THE PAST 3 MONTHS AND ABOUT 16-17 PERCENT ON AN ANNUAL BASIS. M3 HAS RISEN AT 8-1/4 PERCENT ON AN ANNUAL BASIS OVER THE PAST 3 MONTHS. BOTH ARE INCREASING AT LESS THAN THE RATE OF INFLATION.

6. RETAIL SALES. THE INDEX OF RETAIL SALES LEAOD ANOMOLOUSLY IN APRIL DUE TO THE RUSH OF BUYING FOLLOWING (AND BEFORE) THE APRIL 15 BUDGET IN WHICH VAT AND EXCISE TAXES WERE INCREASED SUBSTANTIALY. THE INDEX NUMBER FOR APRIL WAS 117.5 AS COMPARED TO 109.4 FOR MARCH. IT IS CERTAIN THIS IS NOT A TREND (1971 EQUALS 100).

7. STERLING STABILITY. THE WEAKNESS OF THE DOLLAR IN THE

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FOREIGN EXCHANGE MARKETS CONTRIBUTED TO A MORE STABLE  
 POUND DURING THIS WEEK'S TRADING. THE 265 POINT GAIN  
 AGAINST THE DOLLAR AND A 0.2 PERCENT NARROWING OF THE  
 TRADE-WEIGHTED DEPRECIATION IS NOT BELIEVED TO BE A SIGNAL  
 OF A RENEWED CONFIDENCE IN THE POUND.  
 MAJOR U. S. BANK HERE CONSIDERS  
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THAT "ALTHOUGH STERLING'S DECLINE ON A TRADE-WEIGHTED  
 BASIS HAS PROBABLY BOTTOMED FOR THE MOMENT AROUND 25 PER-  
 CENT LEVEL, WITH MOST SHORT POSITIONS ALREADY TAKEN ON  
 THE POSSIBILITY OF A "NO" REFERENDUM RETURN, STERLING  
 STILL REMAINS OFFERED . . . LARGE SCALE SELLING BY OVER-  
 SEAS HOLDERS OF STERLING NOT EXPECTED TO DEVELOP MAINLY  
 BECAUSE THERE WOULD BE NO TAKERS OF LARGE AMOUNTS IN THE  
 PRESENT SMALL MARKET . . . PRESENT EXTERNAL STERLING  
 RATES, ALTHOUGH 6 PERCENT ABOVE DOLLAR DEPOSIT RATES ARE  
 NOT ATTRACTIVE ENOUGH, GIVEN UK INFLATION LEVEL AND UNDER-  
 LYING EXCHANGE RISK, TO CREATE A DEMAND FOR STERLING."

8. EXCHANGE RATE AND GOLD:

|                        | 5/9      | 5/22     | CHANGE        |
|------------------------|----------|----------|---------------|
| EXCHANGE RATE          | \$2.3015 | \$2.3280 | DOWN \$0.0265 |
| EFFECTIVE DEPRECIATION |          |          |               |
| (PERCENT)              | 24.8     | 24.6     | NARROWED 0.2  |
| GOLD                   | \$166.00 | \$174.50 | UP \$8.50     |

9. FORWARD DISCOUNT ON STERLING:

|          | 5/9  | 5/22 | CHANGE    |
|----------|------|------|-----------|
| 1 MONTH  | 1.20 | 0.85 | DOWN 0.35 |
| 3 MONTHS | 3.60 | 2.85 | DOWN 0.75 |
| 6 MONTHS | 6.90 | 5.85 | DOWN 1.05 |

(ALL FIGURES IN CENTS)

10. EURODOLLAR INTEREST RATES:

|          | 5/9   | 5/22  | CHANGE   |
|----------|-------|-------|----------|
| 1 MONTH  | 5-1/2 | 5-5/8 | UP 1/8   |
| 3 MONTHS | 6-1/4 | 6     | DOWN 1/4 |
| 6 MONTHS | 7-1/4 | 7     | DOWN 1/4 |

11. LOCAL AUTHORITY DEPOSIT RATES:

|          | 5/9     | 5/22   | CHANGE     |
|----------|---------|--------|------------|
| 1 MONTH  | 10-5/8  | 9-5/8  | DOWN 1/8   |
| 3 MONTHS | 11      | 10-1/8 | DOWN 7/8   |
| 6 MONTHS | 11-7/16 | 10-1/2 | DOWN 15/16 |

12. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 10 PERCENT ON FRIDAY, MAY 23, 1975.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, ECONOMIC DEVELOPMENT  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
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**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUL 2003 by maginmm>; APPROVED <03 FEB 2004 by CunninFX>  
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Margaret P. Grafeld  
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05 JUL 2006

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**TAGS:** ECON, UK  
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